innovating for the future

COMMERCE BANCSHARES, INC.

INVESTOR UPDATE

3rd Quarter 2018

Charles G. Kim
Chief Financial Officer

Jeffery Aberdeen
Controller

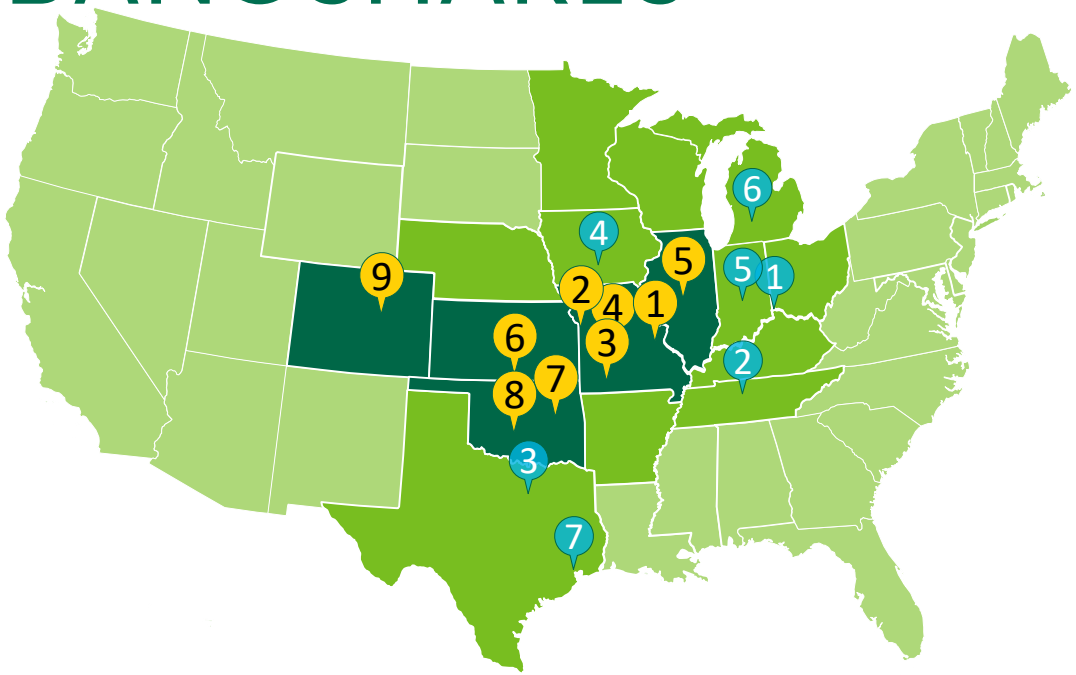
Paul Steiner
Assistant Controller

Commerce Bancshares, Inc.

CAUTIONARY STATEMENT

A number of statements we will be making in our presentation and in the accompanying slides are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements of the Corporation’s plans, goals, objectives, expectations, projections, estimates and intentions. These forward-looking statements involve significant risks and uncertainties and are subject to change based on various factors (some of which are beyond the Corporation’s control). Factors that could cause the Corporation’s actual results to differ materially from such forward-looking statements made herein or by management of the Corporation are set forth in the Corporation’s 2018 3rd Quarter Report on Form 10-Q and the Corporation’s Current Reports on Form 8-K.

ABOUT COMMERCE BANCSHARES



- 172 branches and 371 ATMs in our footprint
- Extended Commercial Market Area
- Commercial Payments Services offered in 48 states

Nine key markets

❶ St. Louis	❹ Central Missouri	❼ Tulsa
❷ Kansas City	❺ Central Illinois	❽ Oklahoma City
❸ Springfield	❻ Wichita	❿ Denver

Commercial offices

❶ Cincinnati	❹ Des Moines	❼ Houston
❷ Nashville	❺ Indianapolis	
❸ Dallas	❻ Grand Rapids	

$25.1
BILLION IN ASSETS

47TH
LARGEST U.S. BANK BASED ON ASSET SIZE[1]

$7.0
BILLION MARKET CAPITALIZATION

26TH
LARGEST U.S. BANK BASED ON MARKET CAPITALIZATION[1]

$51.5
BILLION IN TRUST ASSETS

19TH
LARGEST AMONG U.S. BANK-OWNED TRUST COMPANIES BASED ON AUM[1]

153
YEARS IN BUSINESS

$20.1
BILLION IN TOTAL DEPOSITS

$14.0
BILLION IN TOTAL LOANS

$7.9
BILLION IN COMMERCIAL CARD VOLUME as of 12/31/17

16.27%
RETURN ON AVERAGE COMMON EQUITY as of YTD 9/30/18

7TH
ROACE FOR THE TOP 50 U.S. BANKS BASED ON ASSET SIZE[1]

Source: [1]S&P Global Market Intelligence as of 06/30/2018; Company reports and filings as of 9/30/2018

SUPER-COMMUNITY BANK PLATFORM

A consistent strategy with a long term view

Community Bank

- Award winning customer service
- Focus on the full client relationship
- Core values embraced by employees
- Quickly adapt to customer needs and changing preferences

Customer relationship-based

CHALLENGE ACCEPTED

High performing teams and engaged workforce

Long history of top quartile credit quality metrics

Investment in distinctive, high-return businesses

Focus on operational efficiencies

Disciplined approach to acquisitions

Super-Regional Bank

- Sophisticated payment system capabilities
- Broad consumer product offerings
- Private Banking; Trust; Capital Markets
- Shareholder driven and strong financial performance
- Competitive on unit costs

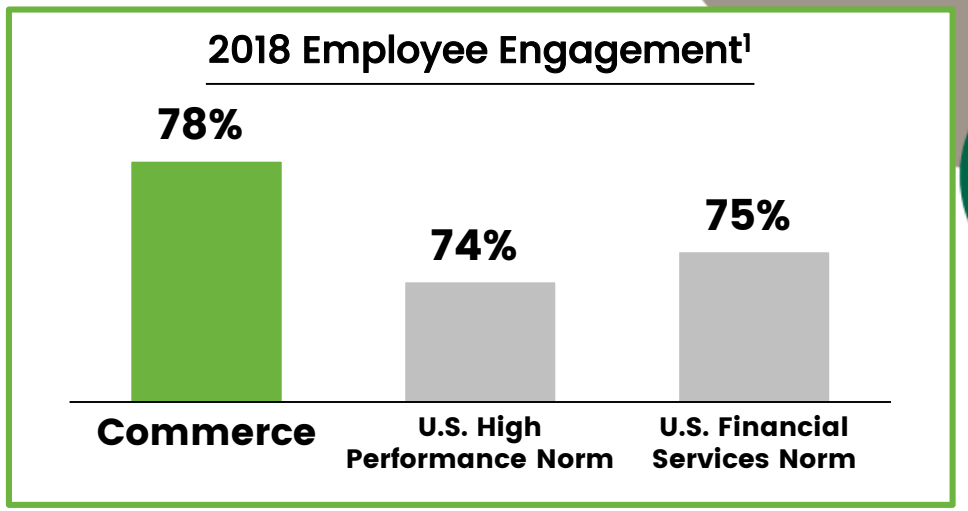
A STRONG EMPHASIS ON CULTURE

Giving VOICE to our VALUES



THE Commerce EDGE

- Engaged, long-term leadership team
- Focus on people and talent development
- Knowledge of customers and markets
- Collaboration drives sales across business lines
- Focus on EPS growth
- Investing in the communities in which we operate



- Contributed $32 million to Commerce Bancshares Foundation to enable expanded community support
- Rated "outstanding" from the Federal Reserve for community reinvestment
- Employees heavily engaged in the communities we serve

ENABLES EXECUTION OF CORPORATE STRATEGIES

Commerce Bancshares, Inc.

[1] *The Korn Ferry Hay Group – 2018 survey results*

RECENT RECOGNITION



Commerce Bank was named a Top Midsize Employer by Forbes for the second consecutive year.

We ranked in the top 15 percent, coming in at 68th on the list of 500 companies with 1,000-5,000 employees. Commerce placed seventh among all banking and financial services companies and fourth among employers headquartered in Missouri.



Commerce Bank was named among Forbes' first-ever ranking of Best Employers for Women.

We ranked in the Top 10 for Banking and Financial Services companies and among the Top 5 employers headquartered in Missouri.



Commerce Bank was recognized with eight Greenwich Excellence Awards in the following categories:

Middle Market Banking ($10-500MM)
Cash Management - Overall Satisfaction
Cash Management - Overall Satisfaction - Midwest
Likelihood to Recommend / Net Promoter Score
Likelihood to Recommend / Net Promoter Score - Midwest
Overall Satisfaction
Overall Satisfaction - Midwest
Proactively Provides Advice – Midwest

Small Business Banking ($1-10MM)
Likelihood to Recommend / Net Promoter Score - Midwest



The 2017 Private Asset Management Awards recognize and reward top investment professionals, wealth advisors, legal firms, consultants and other key service providers operating within the private asset management industry.

RECENT RECOGNITION



Patty Kellerhals
Executive Vice President
Director of Retail Banking

American Banker named **Patty Kellerhals** as one of the **2018 Women to Watch***.

*American Banker's Most Powerful Women in Banking program recognizes the professional achievements and influence of top-performing female executives in banking and financial services. The annual program, now in its 16th year, encompasses four lists: the 25 Most Powerful Women in Banking™, the 25 Most Powerful Women in Finance, the 25 Women to Watch, and the Top Teams in Banking. The full rankings and details about the awards dinner are available at www.americanbanker.com/women-in-banking.



Paula Petersen
Executive Vice President
Director of Strategy, Marketing and Finance

The **Kansas City Business Journal** has named **Paula Petersen** as an honoree of the **2018 class of Women Who Mean Business.**

Women Who Mean Business program honors top-ranking women in Kansas City businesses who also take an active role in the community and in helping other businesswomen.



Stacy Regnier
Vice President
Business Transformation

BAI has selected **Stacy Regnier** to join the **BAI Emerging Leaders Network.**

The BAI Emerging Leaders Network recognizes up-and-coming financial services leaders from around the world with less than 10 years experience in the industry. The network provides learning, mentoring, networking and recognition opportunities to aid in development and career success.

Commerce Bancshares, Inc.

STRONG FINANCIAL PERFORMANCE IN 2018

Growth in Earnings per Share ↑46%

ROA 1.76%

ROE 16.3%

Revenue growth ↑11%

Net interest margin growth 16 bps 3.52%

Growth in loans ↑2%

Net loan charge-offs to loans .29%

Long-term performance remains strong

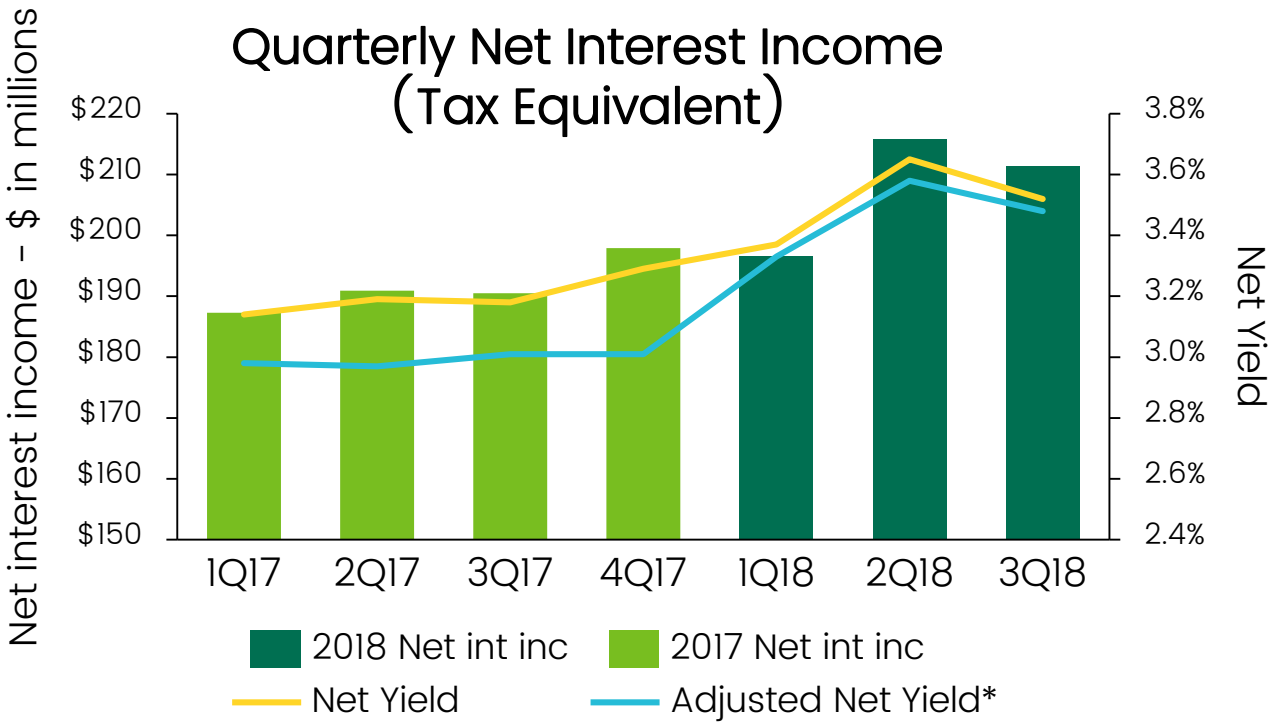
10-year TOTAL SHAREHOLDER RETURN @ 11.5%

Vs KBW Bank Index of 6.6%

DRIVERS OF YTD EARNINGS

Net Interest Margin	Growth in net interest income of $68 million this year was driven by increased loan yields (up 50 bps) and stable deposit costs (up 13 bps).
Fee Income	Fee income grew 8% vs prior year on strength in bankcard, trust and deposit fees.
Non-Interest Expense	3% growth in non-interest expense mainly from investments in staffing and IT costs.
Credit	Credit environment continued to remain very favorable; net loan charge-offs of .29%; net commercial recoveries.
Taxes	New tax law this year provided significant earnings growth; effective tax rates of 29% in 2017 vs 20% in 2018.

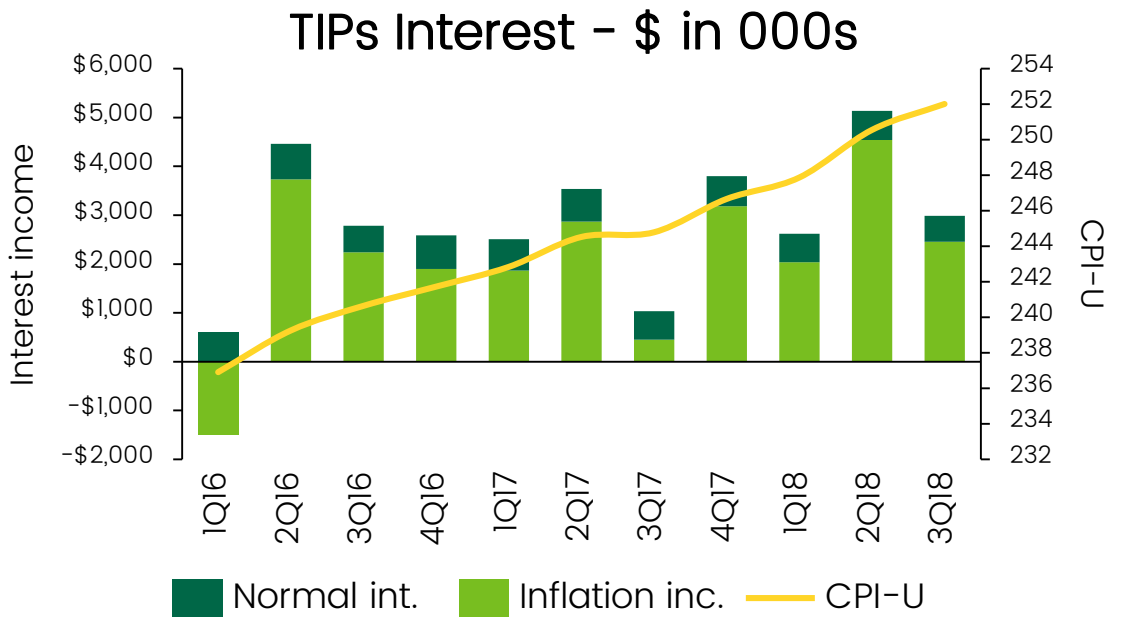
NET INTEREST INCOME: YTD – September 30, 2018



- Net interest income declined $3.2 million from the prior quarter but the prior quarter included an $8.9 million equity dividend.
- On a core basis, the net interest income increased $3.8 million this quarter.
- Inflation income on TIPs was $2.5 million this quarter vs $4.5 million in the prior quarter.

Tax equivalent - YTD	2017	2018	Change
Rates earned - assets	3.31 %	3.82 %	0.51 %
Rates paid - liabilities	0.31 %	0.48 %	0.17 %
Net yield - earning assets	**3.12 %**	**3.51 %**	**0.39 %**

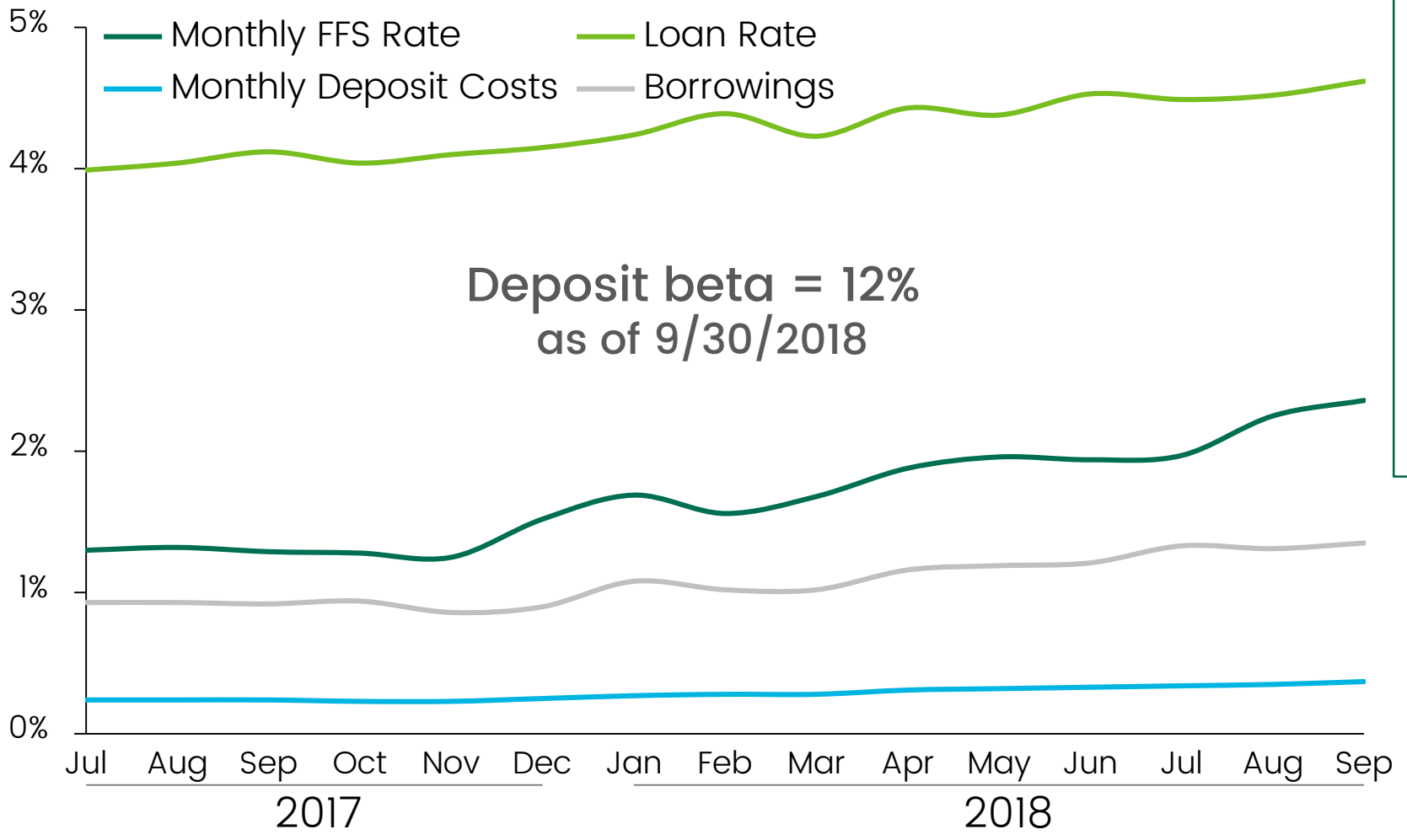
*Adjusted to exclude TIPs inflation income and one-time reclass of Ash Grove dividend income in 2Q'18 and $2.0 million in discrete equity dividends



GROWTH IN DEPOSIT RATES – September 30, 2018

A key to improving NIM

Beta Analysis



- Deposit beta measures the growth in deposit rates as a % of growth in ST rates (fed funds)
- Over the last 15 months, deposit rates have grown 13 basis points while fed funds rates have grown 106 basis points
- Loan yields are up 63 basis points over last 15 months
- Industry average in 2Q'18 was 35% deposit beta*

Commercial Interest Checking Balances ($ in millions)

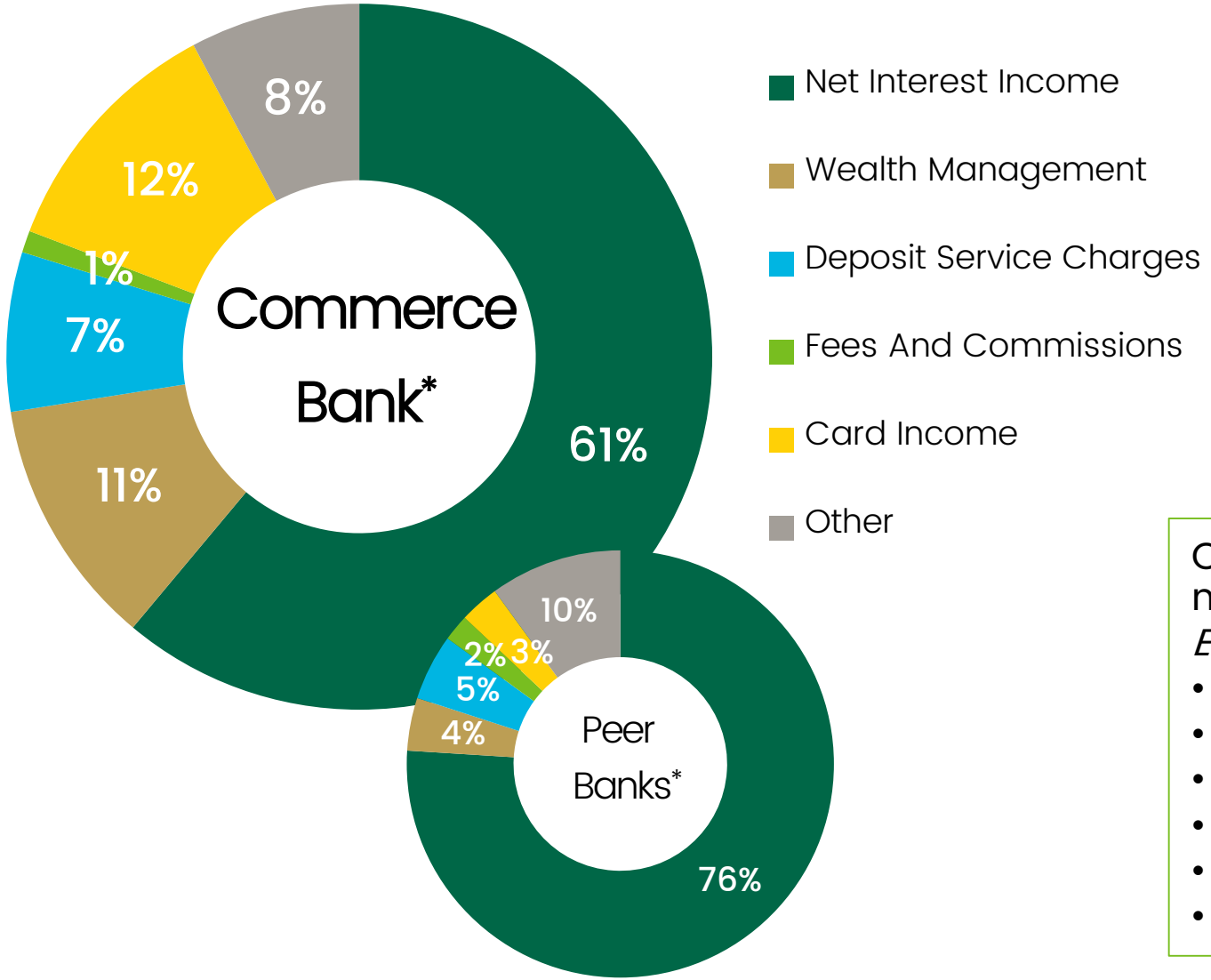
3Q2017	$302
2Q2018	$803
3Q2018	$1,114

*Source: Barclays research on US Mid-Cap Banks incremental deposit beta

Commerce Bancshares, Inc.

FEE INCOME AT 39% OF TOTAL REVENUE

Card, Wealth & Deposit fees provide stable, growing revenue source



Non-Interest Income

$s in millions



Continued focus on growing fee income through new and existing product and services offerings

Examples:

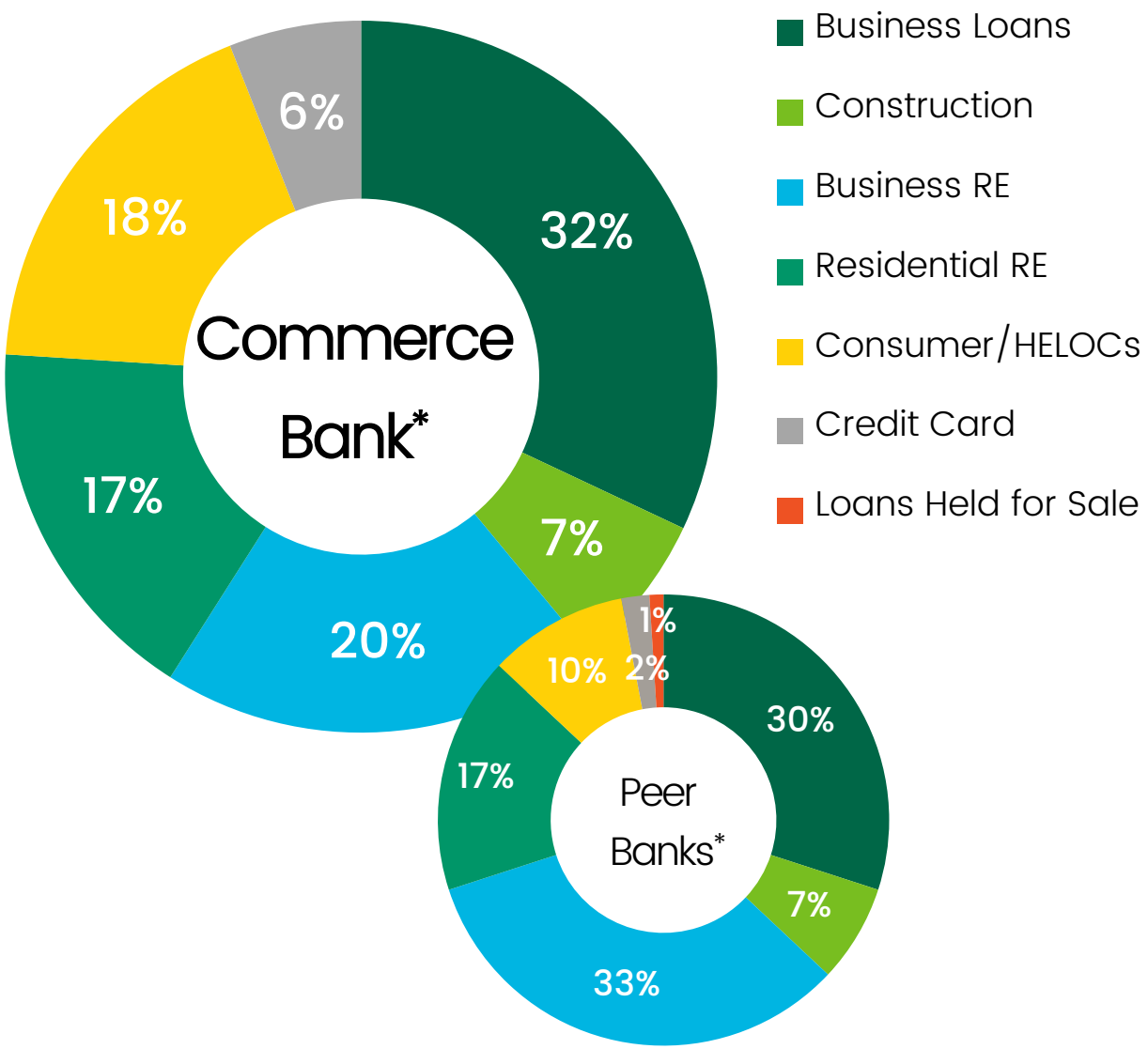
- Toggle™
- Remitconnect™
- Supply chain finance
- Insurance claims payment processing
- Accounts Payable automation
- Swaps

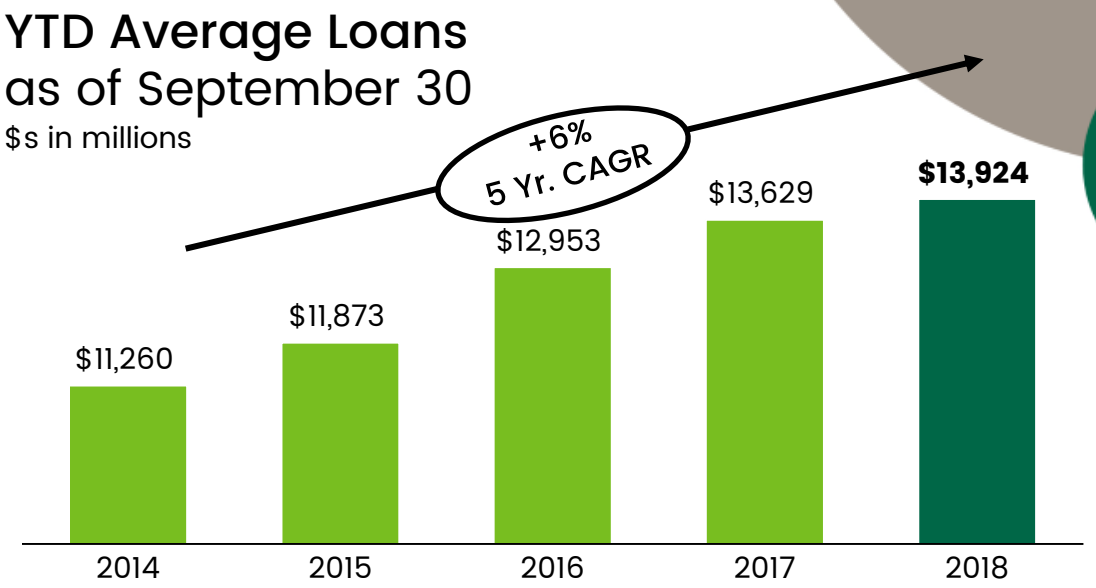
Peer Banks include: ASB, BKU, CFR, FHN, FINN, FULT, HBHC, IBKC, ISBC, MBFI, OZRK, PB, PNFP, TCF, UMBF, UMPQ, VLY, WBS, WTFC

**Source: S&P Global Market Intelligence & FIS as of 6/30/2018*

Commerce Bancshares, Inc.

WELL-DIVERSIFIED LOAN PORTFOLIO





Loan growth YTD 2018

Business/ lease/ tax-free	↑	**$8 million**
Construction	↑	**$31 million**
Personal RE	↑	**$58 million**
Business RE	↑	**$29 million**
Auto/ motorcycle/ other	↓	**$163 million**

Peer Banks include: ASB, BKU, CFR, FHN, FINN, FULT, HBHC, IBKC, ISBC, MBFI, OZRK, PB, PNFP, TCF, UMBF, UMPQ, VLY, WBS, WTFC

**Source: S&P Global Market Intelligence & FIS as of 06/30/2018*

Commerce Bancshares, Inc.

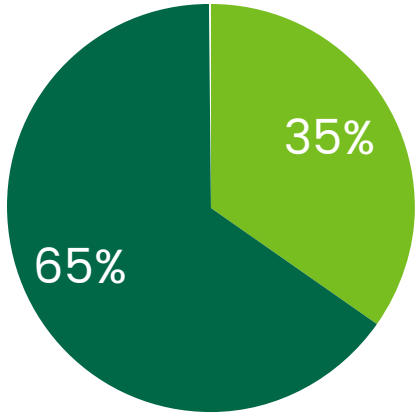
SUMMARY OF FIXED & FLOATING LOANS

56% of total loans are variable; 52% of floating rate commercial loans are tied to LIBOR

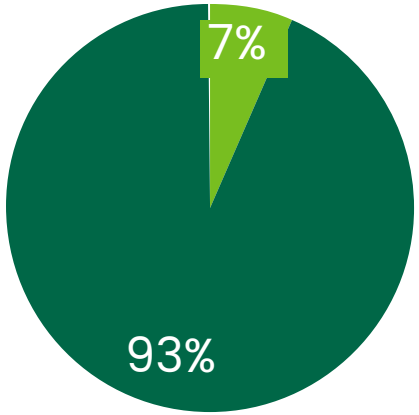


Commercial

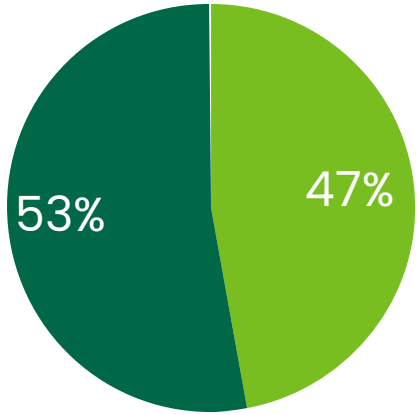
Business
Total Loans: $5.0B



Construction
Total Loans: $1.0B

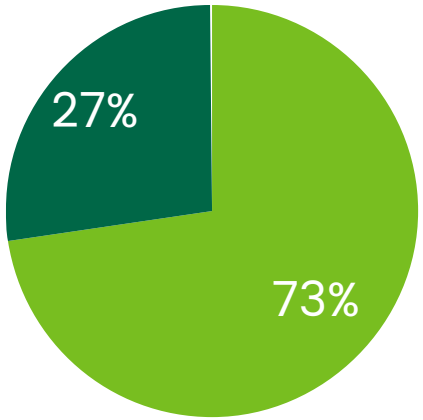


Business RE
Total Loans: $2.7B

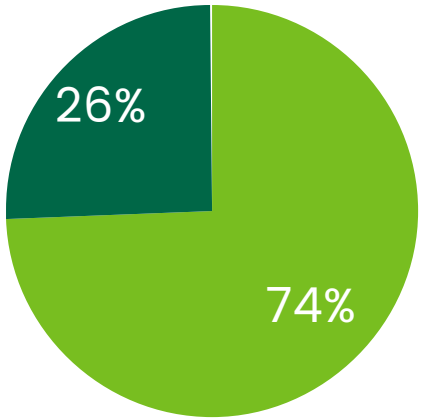


Consumer

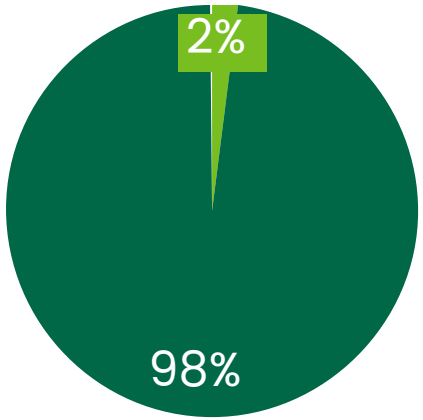
Personal RE
Total Loans: $2.1B



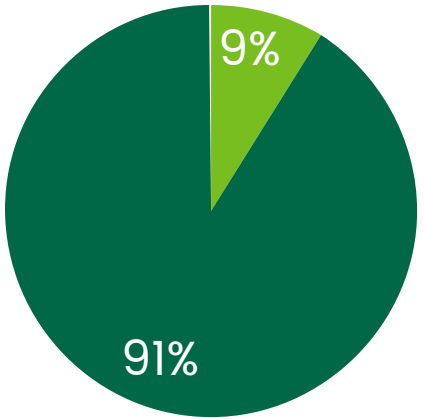
Consumer
Total Loans: $2.1B



HELOC
Total Loans: $0.4B



Consumer Card
Total Loans: $0.8B

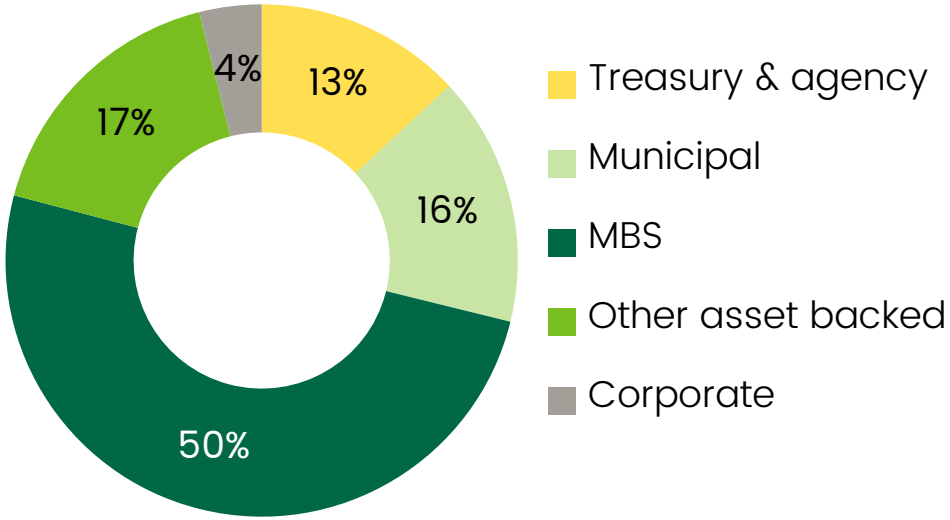


As of 12/31/2017

INVESTMENT PORTFOLIO:

HIGH QUALITY, DIVERSE, SHORT DURATION

Composition of AFS Portfolio



September 30, 2018	Weighted Avg rate	Weighted Life (years)
Treasury & agency*	1.2%	3.7
Municipal - TE	3.1%	4.9
MBS	3.2%	4.8
Other asset-backed	2.5%	2.9
Corporate	2.7%	4.2

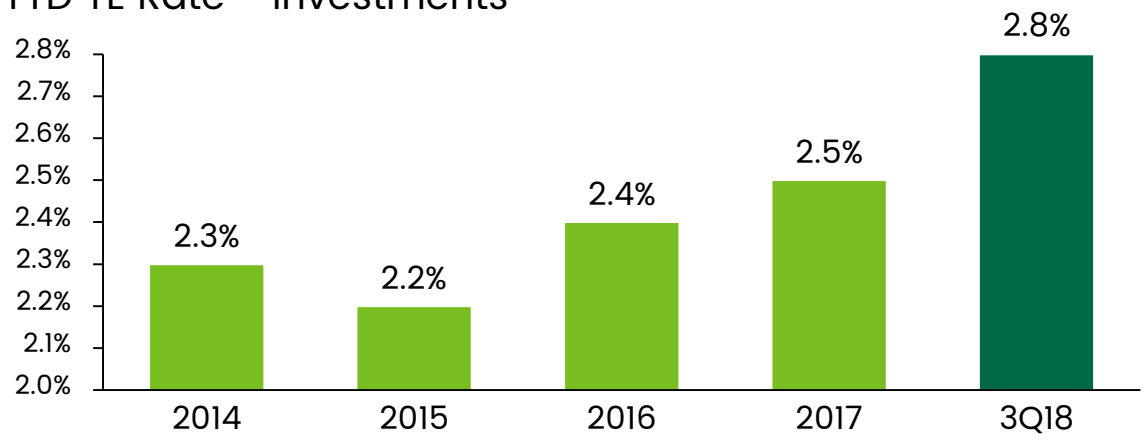
AFS Portfolio as of 9/30/18

Total investments	$8.7 billion
Unrealized loss	$157 million
12 month maturities / pay-downs	$1.1 billion

Duration

December 2015	2.9 years
December 2016	2.9 years
December 2017	3.0 years
September 30, 2018	3.3 years

YTD TE Rate - Investments

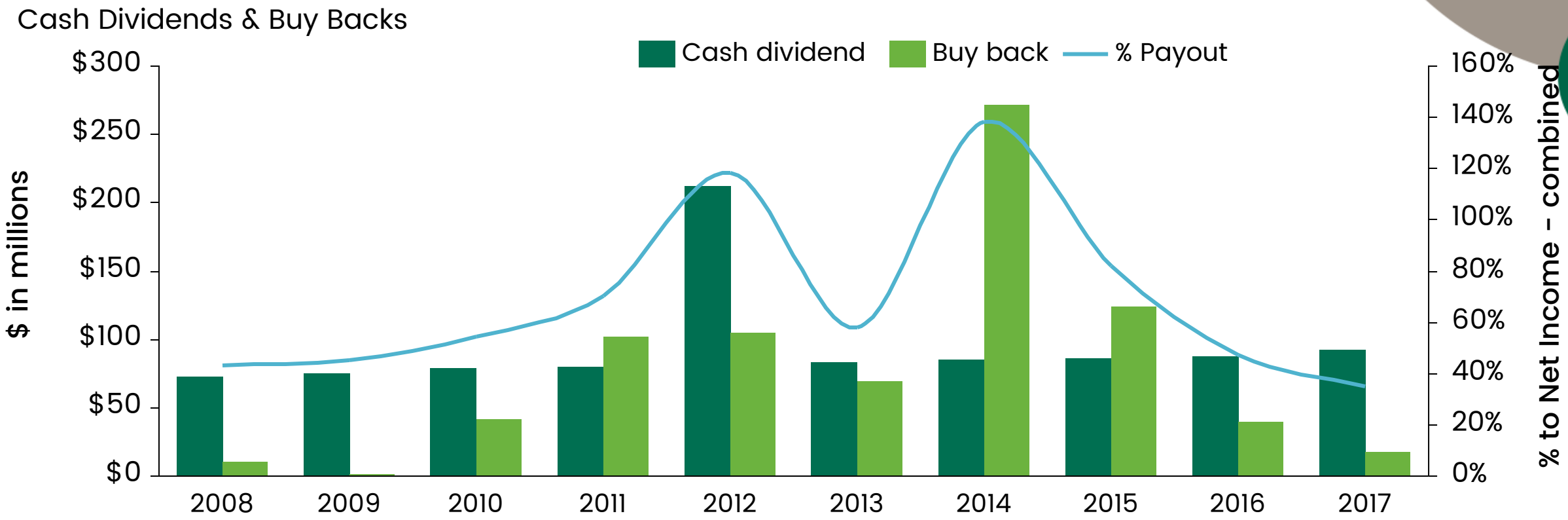


*Excludes inflation effect on TIPs
Source: Internal Reports

Commerce Bancshares, Inc.

STRONG CAPITAL POSITION

FLEXIBILITY IN CAPITAL PLANNING



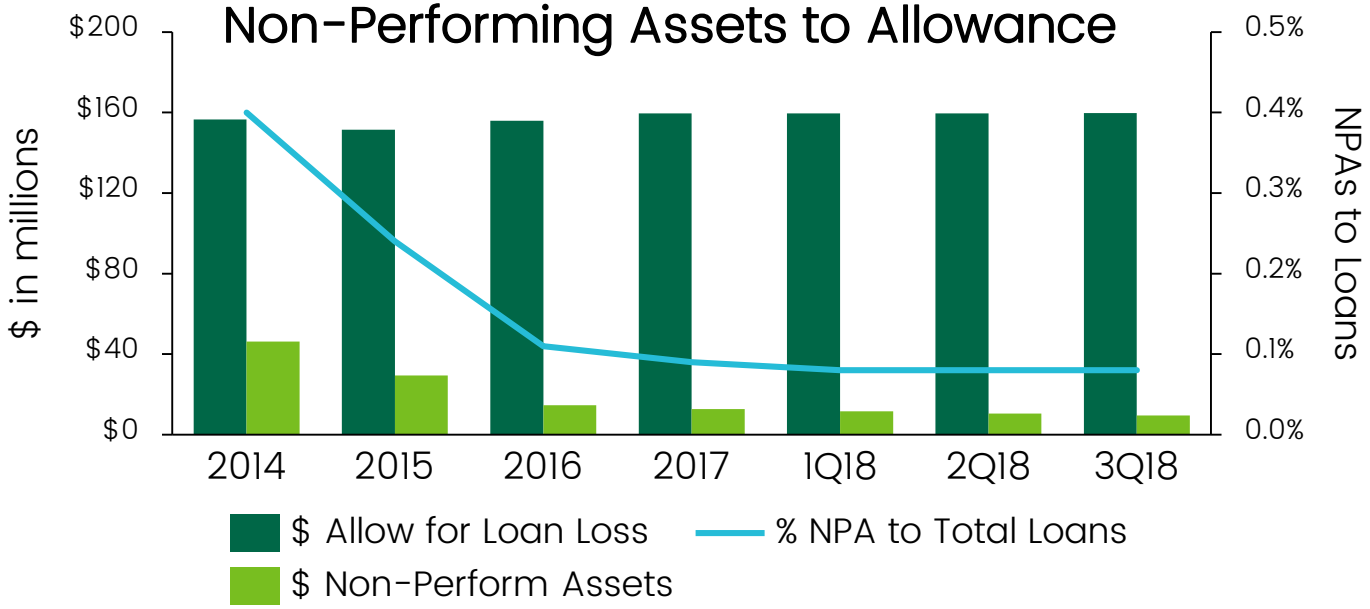
Capital ratios – Sept. 30, 2018	
Tier 1 common risk-based capital	14.1%
Tier 1 risk-based capital	14.8%
Total risk-based capital	15.7%
Leverage ratio	11.4%

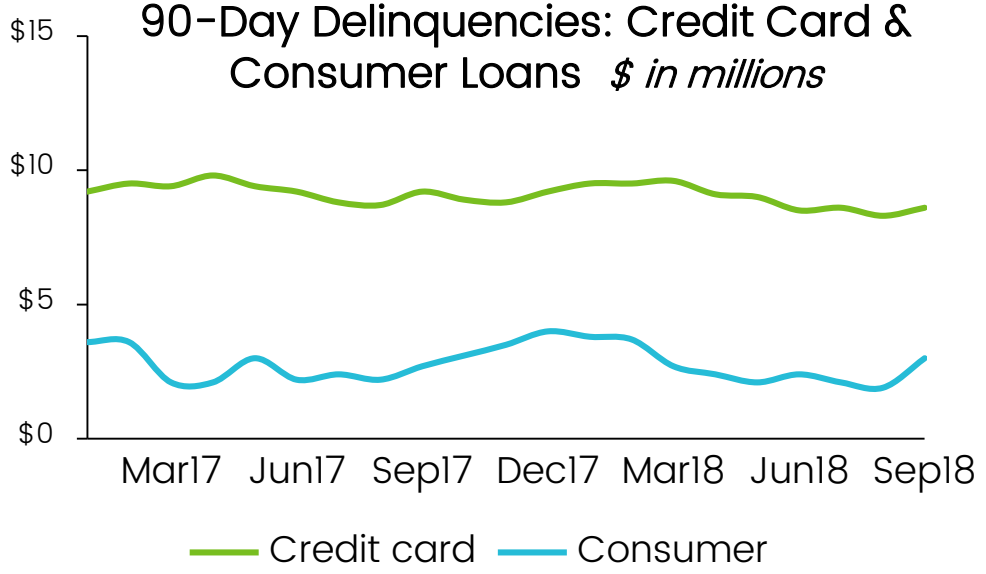
- ASR transactions totaled $200 million in 2014 and $100 million in 2015; also special dividend of $212 million in 2012
- 49 consecutive years of common dividend increases
- Announced 10% cash dividend increase on common shares for 2018.

NET LOAN CHARGE-OFFS: YTD – September 30, 2018

$ in 000s	YTD 2017	YTD 2018	Actual $ Chge	'18 Loss Rate
Business	$ 610	$ 354	$ (256)	0.01 %
Overdraft	1,172	1,121	(51)	32.51 %
Construction	(1,104)	(452)	652	(0.06)%
Business R/E	(155)	(287)	(132)	(0.01)%
Personal R/E	(249)	(191)	58	(0.01)%
Consumer	7,795	6,481	(1,314)	0.43 %
HELOC	92	55	(37)	0.02 %
Credit card	22,529	23,157	628	4.06 %
Total	**$ 30,690**	**$ 30,238**	**$ (452)**	**0.29 %**

- Recorded net recoveries of $385k on commercial loans YTD. No major loan charge-offs this year.
- Loss rate on credit card loans declined in the 3rd quarter of 2018 to 3.8%.
- Delinquencies trends generally improving for both credit card and consumer loans although slight uptick in September.





MAINTAINING THE BALANCE

STRONG PERFORMANCE with ongoing refinement of the "Core Bank"

- Super-Community Bank platform
- Relationship-based banking
- High-touch customer service
- Full suite of product and service offerings
- Disciplined attention to risk return
- Divest in businesses & activities that no longer provide acceptable returns
- A highly engaged workforce
- Focus on profitability and shareholder return



Challenge Accepted.™

Disciplined focus on **PRIORITY BLUE CHIP** investments

- Funding Future Growth
- Expansion Market Growth
- Transform the Retail Model
- Enhance Private Client Model
- Health Services Financing
- Claims Payments
- Commerce Bank Mortgage
- Enterprise CRM
- Succession Planning

EXTERNAL INNOVATION FOR CONSUMERS

The **Retail Bank** remodeled physical branch locations to include **technology enhancements and staff** that can handle a variety of customer needs.



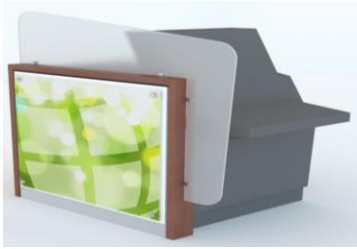
Branch Lobby



Exploration Center

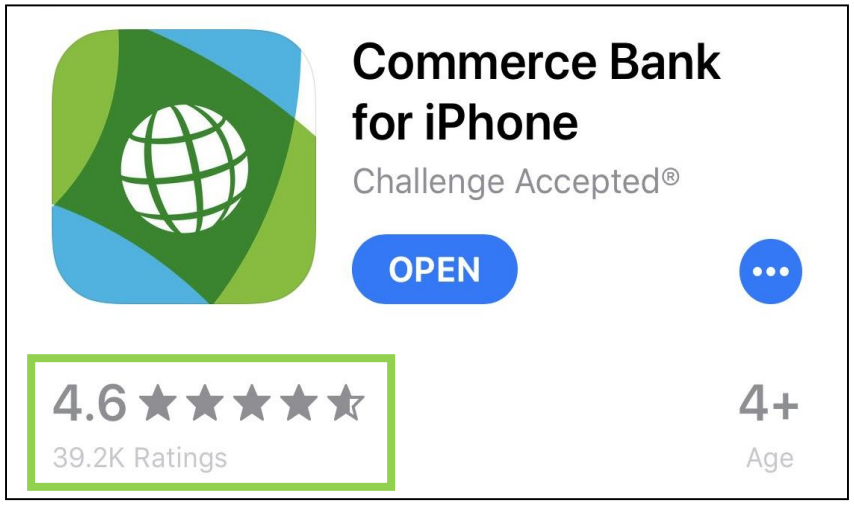


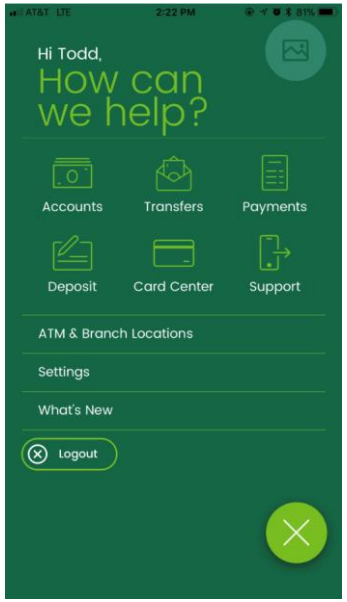
Video Advisor

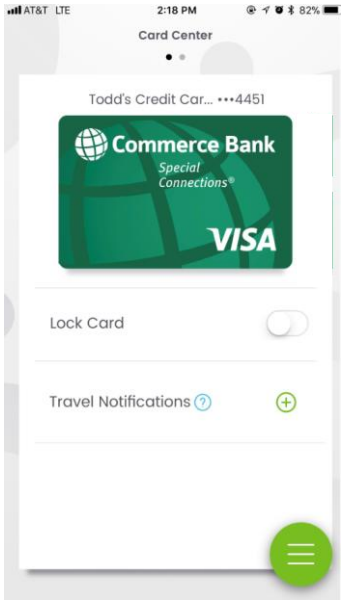


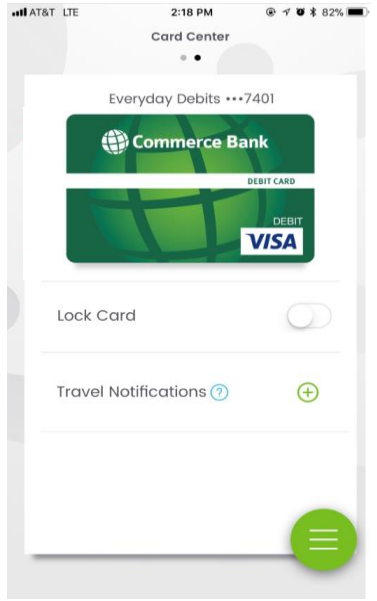
Advanced ATM

Consumer Digital had 20+ releases in 2018. New features include an improved interface for Online Banking, ability to view mobile deposit check images, mobile lock / unlock of cards, and ability to add recurring transfers through mobile.









EXTERNAL INNOVATION FOR COMMERCIAL

Commercial Digital is utilizing the voice of the customer to drive digital solutions. Customer support, focus groups and user studies have proven to be effective ways to gain insight.

Online Feedback

217

COMMENTS

User Forums

173

TOTAL IDEAS

Commercial Payments added Claims Payment and Health Services Financing to its offerings.

- **Claims Payment** is a product created with the insurance industry, for the insurance industry. Feedback from the Advisory Council has driven product feature identification and prioritization.
- **HSF** added functionality for patient self-enrollment, pre-service enrollment and mobility. **CommerceCare™** is a related offering that is innovative to the marketplace.

CLAIMS PAYMENT ADVISORY COUNCIL

SHELTER INSURANCE

AMERICAN FAMILY INSURANCE

PROGRESSIVE

Beyond the expected.™ PEKIN INSURANCE

Nationwide

INTERNAL INNOVATION AT COMMERCE

innovating for the future



Insight 360

salesforce TRUST CRM

CBI Blue Chip FUNDING OUR FUTURE GROWTH

COMMERCIAL TOM

Transform 360

CARA Artificial Intelligence

<HACKATHON/>

CONSUMER BANKING

$10.2 BILLION Consumer Deposits
2017 $10.3 BILLION

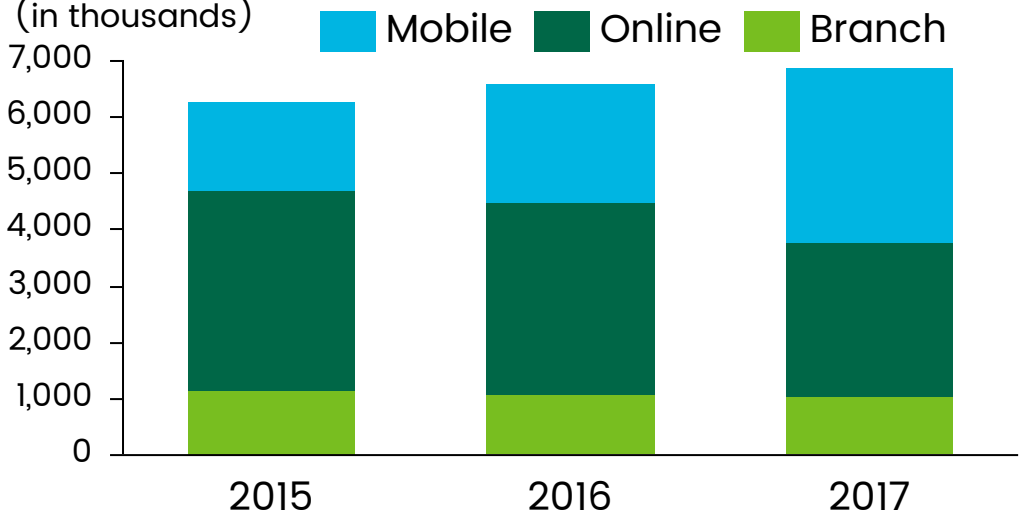
$2.4 BILLION Consumer Loans
2017 $2.5 BILLION

$919 MILLION Consumer Auto Loans
Average FICO 753

2009 $113.5 MILLION
$16 MILLION Branch Expense Reduction since 2009

Banking Channel Preferences

Monthly Banking Sessions (in thousands)



Continue Expanding Digital Capabilities

Mobile Penetration

2016:	2017:
49.4%	54.7%

Mobile Deposit Use

2016:	2017:
3.3%	7.6%

App Store Rating

2016:	2017:
★★★★½	★★★★½

4.6 ★★★★★½
4.4 ★★★★½
as of 9/30/18

Digital Loan Sales (000s)

2016:	2017:
$19,157	$25,500

Period end balances, Information as of September 30, 2018

Commerce Trust Company

Wealth | Investments | Planning

For high net worth individuals who are looking to simplify their complex financial life, Commerce Trust Company provides a full-service approach to wealth management.

$51.5 BILLION
Total Client Assets[1]

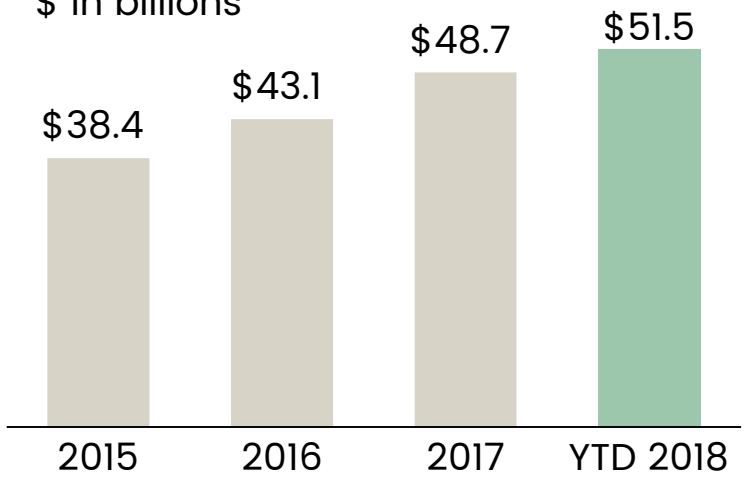
19TH
Largest Among Bank-Owned Trust Company[2]

$30.7 BILLION
Assets Under Management

↑13%
Record Asset Management Sales

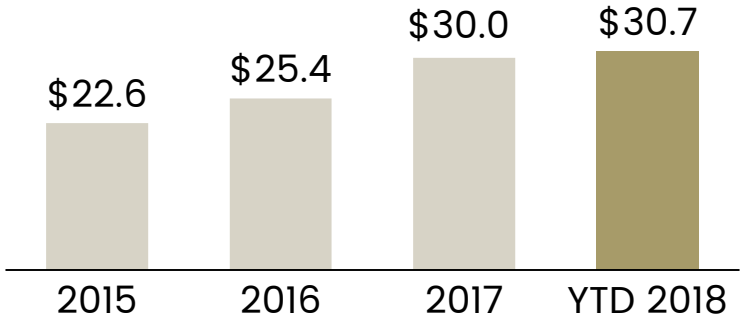
Total Client Assets

$ in billions

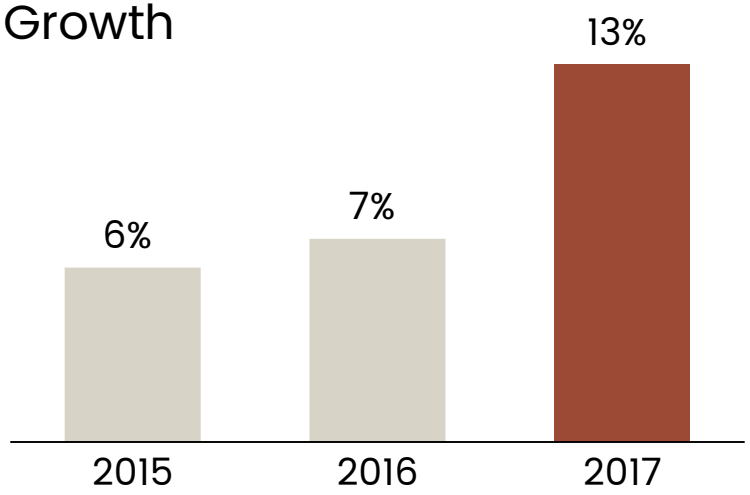


Assets Under Management

$ in billions



Asset Management Sales Growth



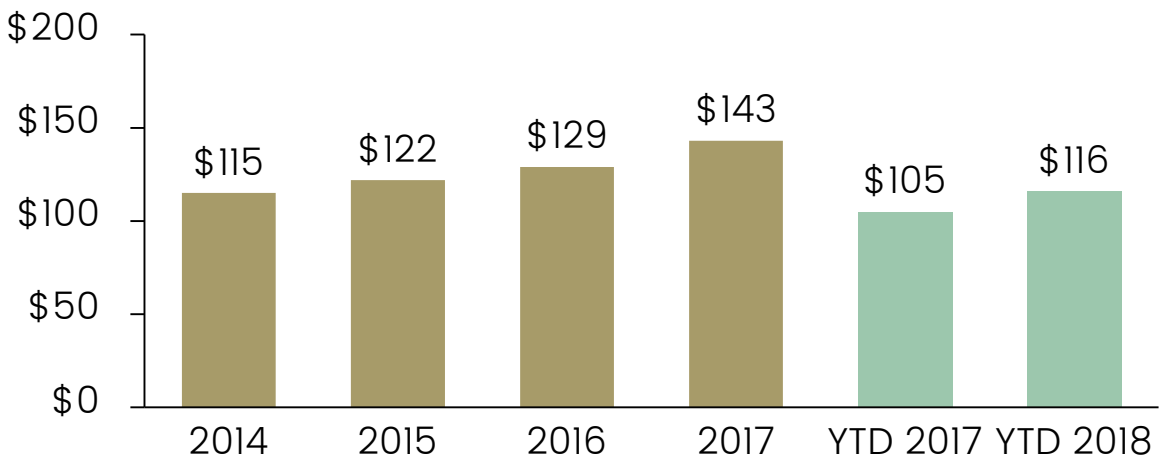
Period end balances, information as of September 30, 2018
[1]Assets under Administration
[2]S&P Global Market Intelligence ranking as of 06/30/2018, based on assets under management

Commerce Trust Company
Wealth | Investments | Planning

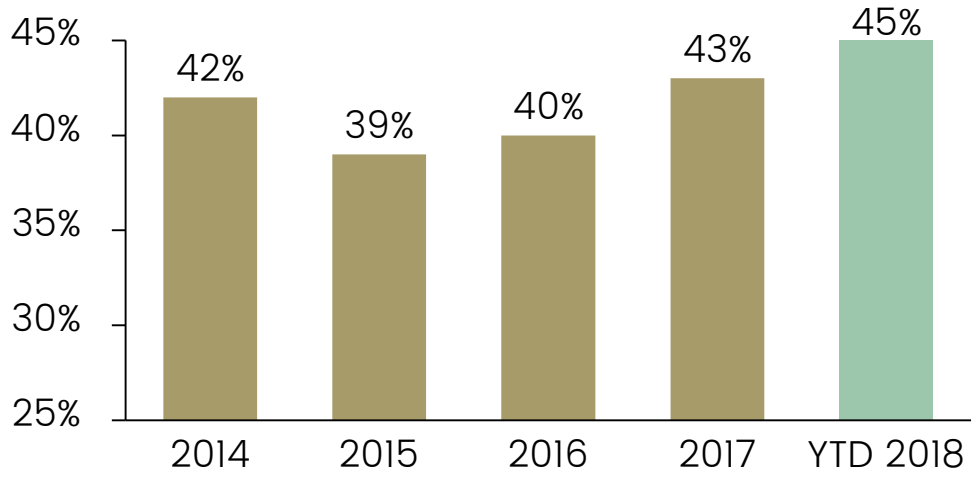
Trends In Trust Revenue and Sales

Asset Management Revenues

(In Millions)



Asset Management Profit Margin



- Solid growth in fee continues; profit margins continue to improve in 2018
- Attrition rates remain below industry results
- Demand continues for asset management services
- Record sales of $12.6 million achieved in 2017

Commerce Bancshares, Inc.

COMMERCIAL BANKING

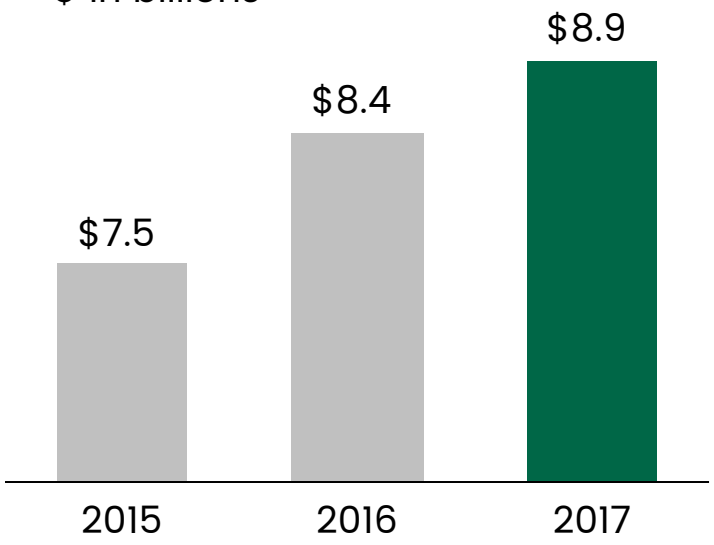
Revenue growth opportunities

$8.9 BILLION
Commercial Loans
5 Yr. CAGR +9.3%

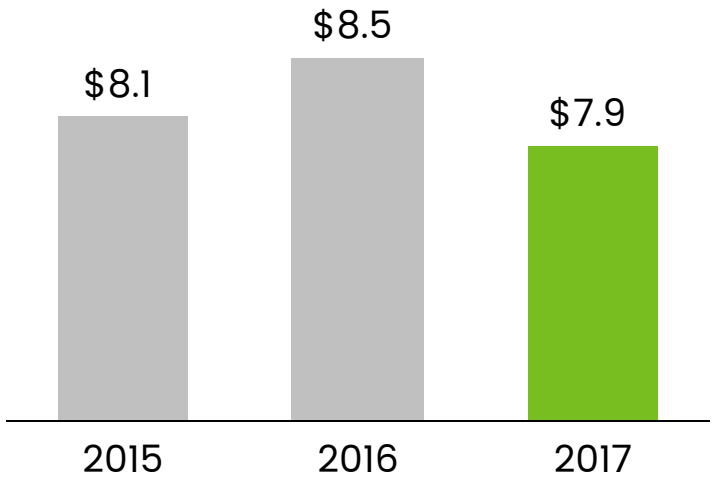
$7.9 BILLION
Commercial Deposits
5 Yr. CAGR +3.0%

$523 MILLION
Commercial Revenue
5 Yr. CAGR +2.1%

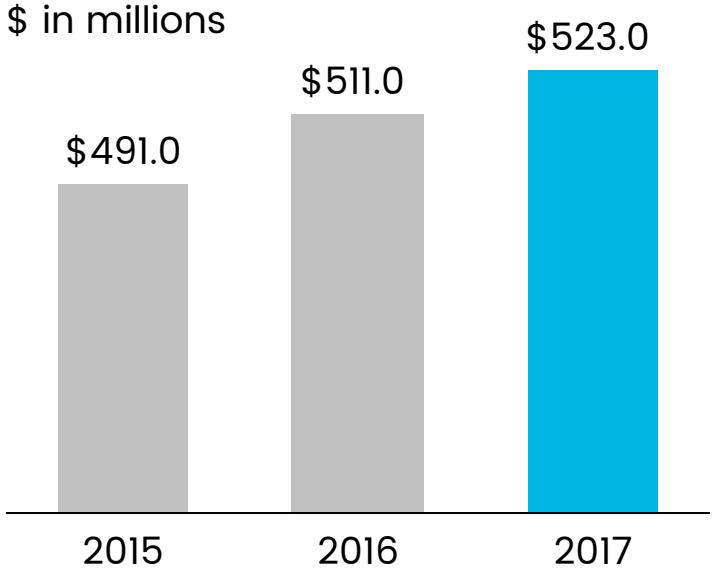
Commercial Loans
$ in billions



Commercial Deposits
$ in billions

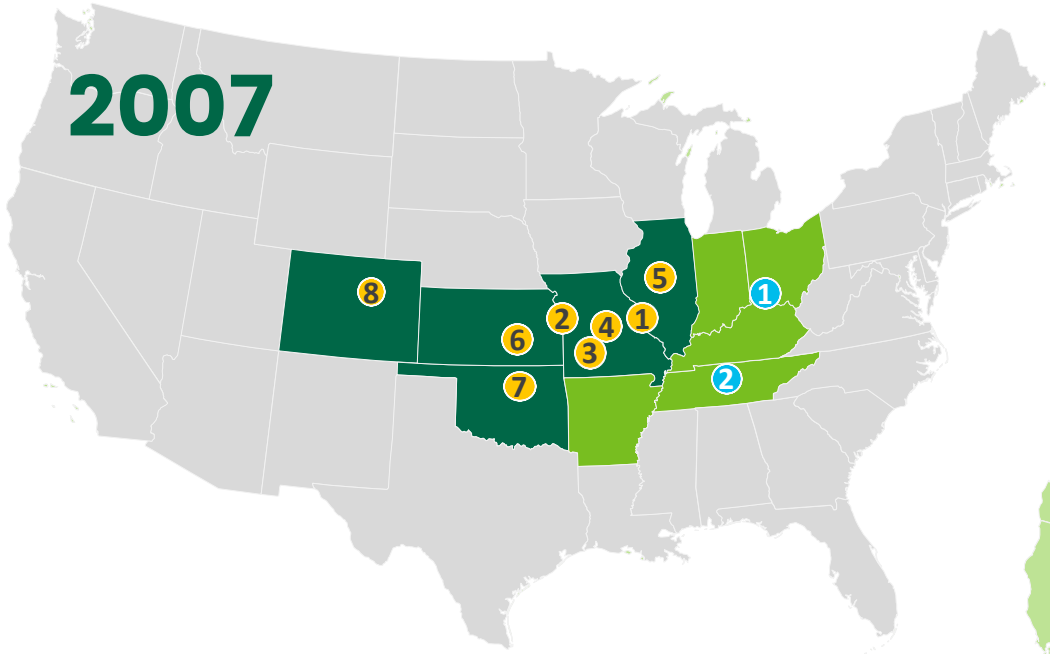


Commercial Revenue
$ in millions



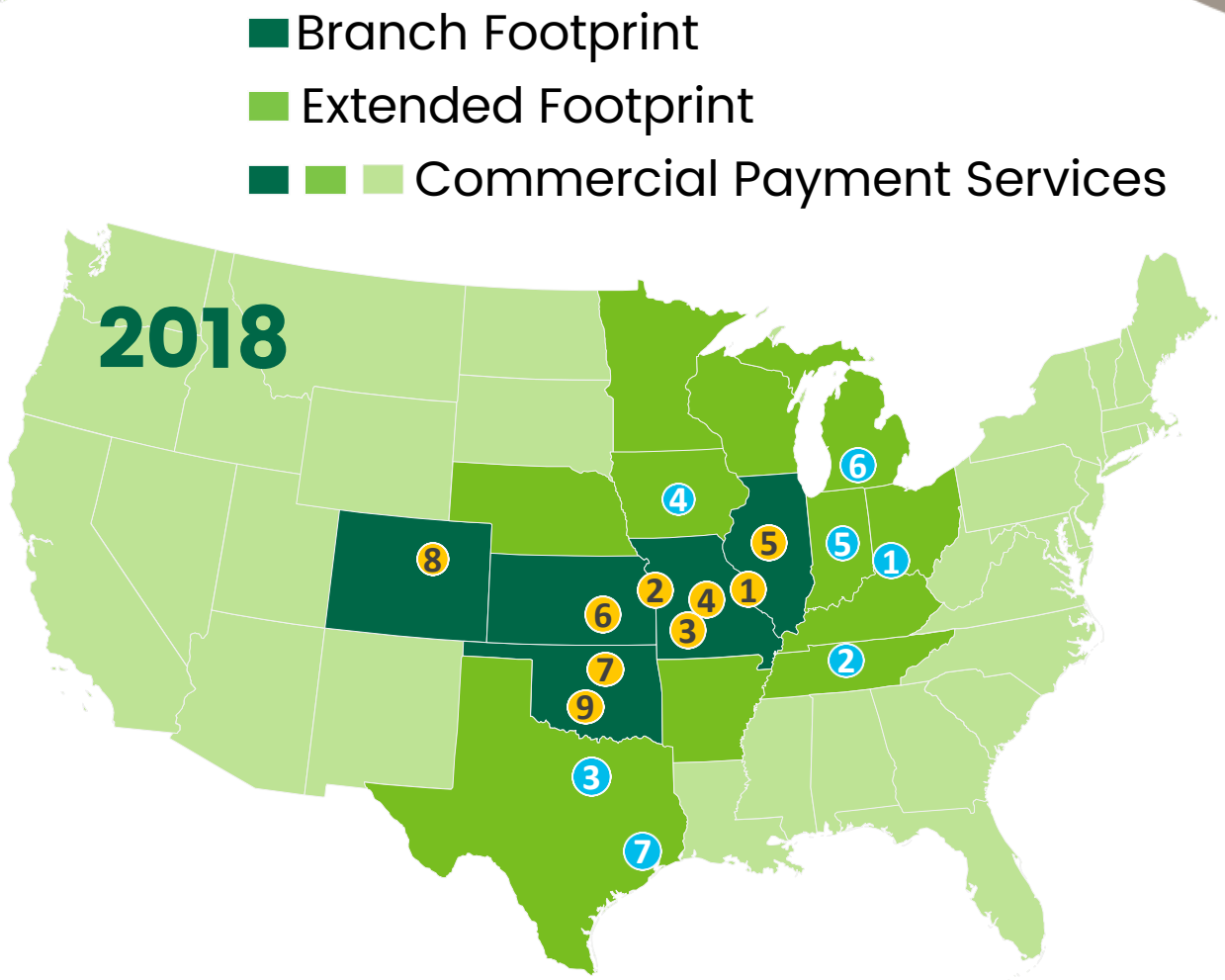
Period end balances, Information as of December 31, 2017

GROWTH IN THE COMMERCIAL FOOTPRINT



- Significant Markets
  1. St. Louis
  2. Kansas City
  3. Springfield
  4. Central Missouri
  5. Central Illinois
  6. Wichita
  7. Tulsa
  8. Denver
  9. Oklahoma City

- Commercial Offices
  1. Cincinnati
  2. Nashville
  3. Dallas
  4. Des Moines
  5. Indianapolis
  6. Grand Rapids
  7. Houston



Commerce Bancshares, Inc.

EXPANSION MARKETS IN THE NEWS

Exclusive: Meet the new bank chief leading this $24.5 billion lender's push into Nashville

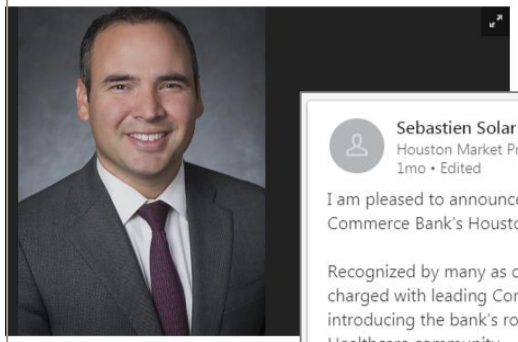
NASHVILLE BUSINESS JOURNAL



With new leadership in tow, Commerce Bank is looking to ramp up its Nashville office. (Pictured: A Commerce Bank location in St. Louis.)

Exclusive: Major Midwestern bank opens first Houston office

HOUSTON BUSINESS JOURNAL



Bank in Houston.

Witthaus – Reporter, Houston Business Journal
2018, 2:19pm

have a war chest of capital that we're looki

Saturday, 15 September 2018 21:35

A year in, Commerce Bank pursues additional growth via GR office

Written by Mark Sanchez



Michael Hollander *Courtesy photo*

Bank focuses on middlemarket clients

In the 12-month period from June 2017 to June 2018, **Commerce Bank**'s outstanding commercial loan balances in West Michigan grew by 100 percent.

The growth came in the Kansas City, Mo.-based bank's second year in the market, which it entered in May 2016 with the opening of a commercial lending office in downtown Grand Rapids.

Now housed in new and larger quarters on the 12th story of the downtown Waters Building, Commerce Bank plans to pursue more growth across West Michigan after establishing a foothold in the market and operating ahead of plan "on all accounts."

"We're seeing some pretty significant fruits of our labor," said Michael Hollander, senior vice president and Comme

Sebastien Solar • 2nd
Houston Market President at Commerce Bank
1mo • Edited

I am pleased to announce the addition of Latrice Tubbs as the newest member of Commerce Bank's Houston Leadership team.

Recognized by many as one of the top healthcare bankers in Texas, Latrice will be charged with leading Commerce Bank's Healthcare practice in Houston, and introducing the bank's robust suite of Healthcare solutions to the Houston Healthcare community.

https://lnkd.in/d7iBb4s

#healthcare #banking #leadership #commercebank #revenuecyclemgmt #paymentautomation #patientfinancing #healthcarelockbox



Commerce Bank Experiences Growth, Opportunity in Grand Rapids

Company deepens investment in West Michigan market with new office space and addit commercial banker



Grand Rapids, MI – August 29, 2018
Commerce Bank announced it has si location in McKay Tower in downtow with the addition of Dan VandenBos

Led by senior vice president and We Bank serves the greater West Michigan region including Grand Rapids, Kalamazoo, Lansing, and the Lakeshore markets with commercial lending, equipment financing, payment systems, commercial real estate financing and specialized

Commerce Bank Arrives in Houston

Longtime Texas banker, Sebastien Solar, hired to lead commercial banking efforts in Houston

Houston, June 11, 2018 - Commerce Bank announced today that it will expand its Texas footprint into the Houston Market, led by native Houstonian Sebastien Solar, Houston market president. Solar is joined by fellow Houston native and former Executive Director at JPMorgan Chase, Bobby Morgan, who will focus on growing the C&I banking team and new business development. In his capacity as market president, Solar will be responsible for setting market strategy, overseeing all commercial banking activities and managing the bank's short and long-term investments in Houston.

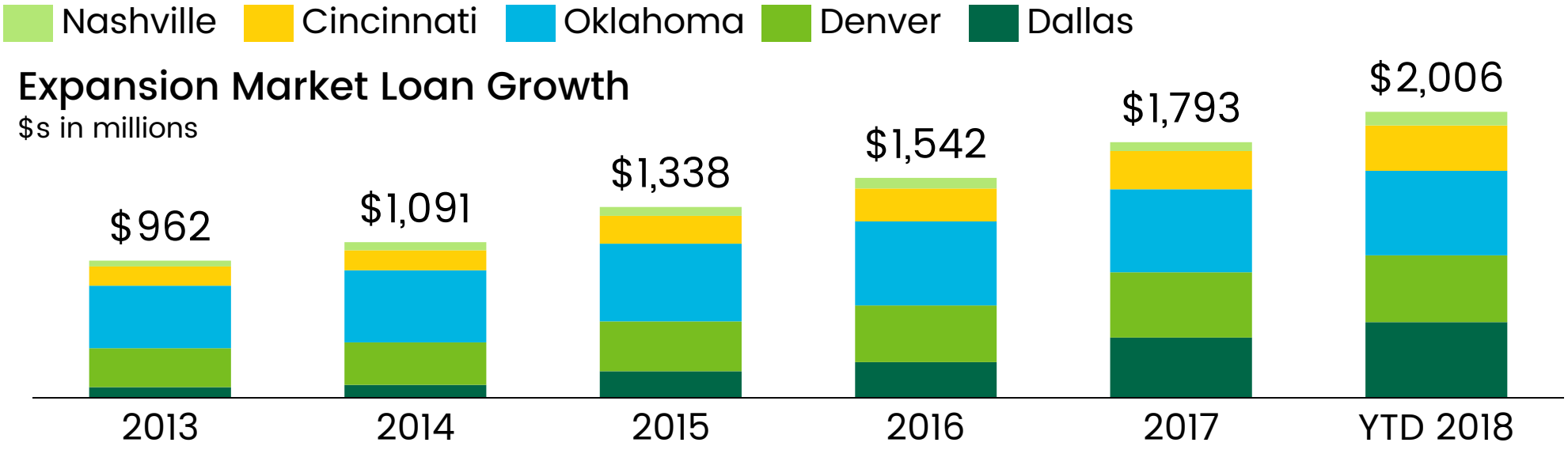
Recognized by Forbes as one of the "Top Mid-Sized Employers" in the country and one of



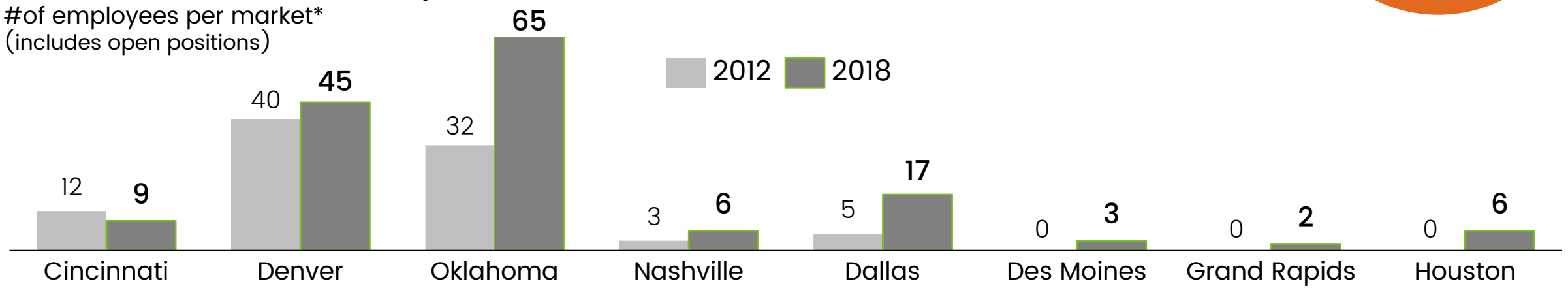
From left: Sebastien Solar, Bobby Morgan

Commerce Bancshares, Inc.

COMMERCIAL BANKING – EXPANSION MARKETS OFFERING GROWTH OPPORTUNITIES



Expansion Market Loan Growth
230%
since 2012



Period end balances as of September 30, 2018
* As of October 2018

Commerce Bancshares, Inc.

CARD PRODUCTS – A LEADER AMONGST TOP 50 U.S. BANKS

Consistently ranked among the top issuers in the Nilson Report

- **#11** Commercial Card Issuer
- **#7** Purchasing Card Issuer
- **#11** Bank Acquirer
- **#14** Consumer Card
- **#20** Debit Card
- **#13** Prepaid Card

A full suite of innovative card and payment product offerings

Supply Chain Finance	*Health Services Financing*	*Claims Payments*	*Multi Account Chip*	*Co-Brand*	*toggle®*	*Prepaid Expense*









Commerce Bancshares, Inc.

Source: Nilson Reports (Debit: April 2018; Consumer Card: February 2018; Prepaid: July 2018; Merchant: March 2018; Purchasing: June 2018; Commercial Card June 2018), based on the top 50 U.S. banks ranked by total assets as of 12/31/2017, S&P Global Market Intelligence

COMMERCIAL PAYMENTS

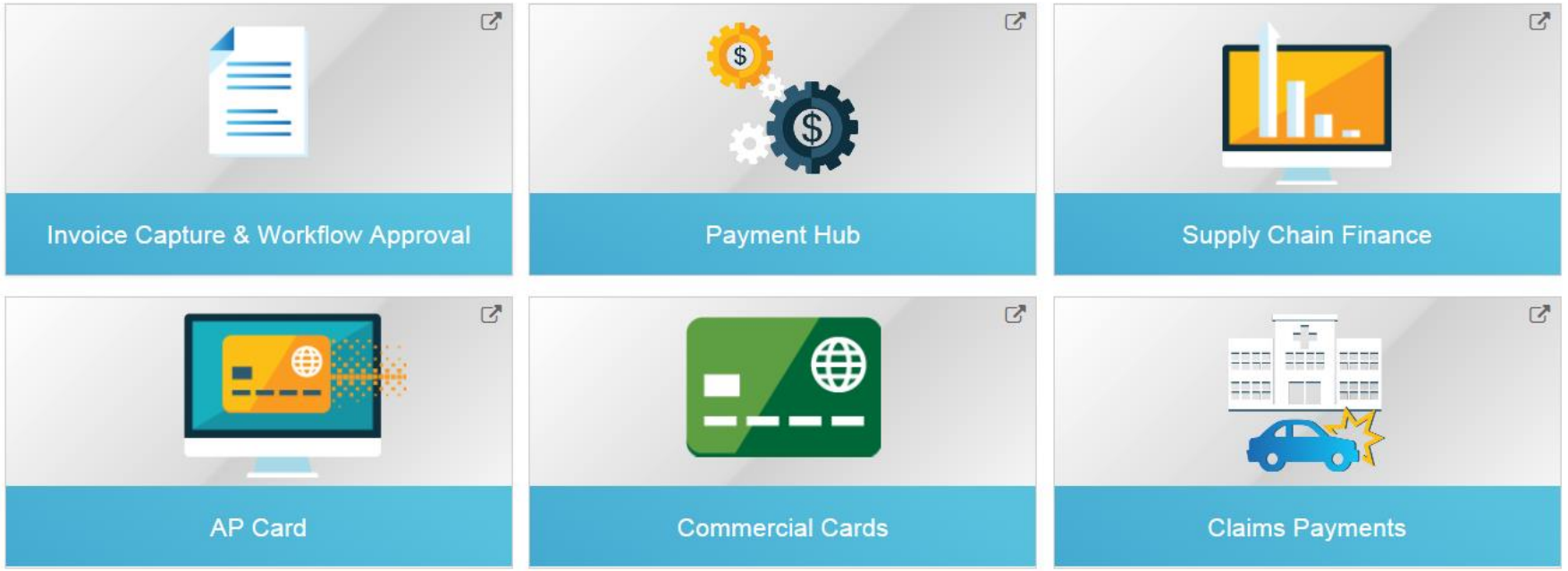
$194 MILLION
Payments Revenue

$7.9 BILLION
Commercial Card Volume

$145 MILLION
Health Services Financing Loans

EMBRACING INNOVATION IN THE PAYMENTS SYSTEMS

Our full suite of products and services brings real value to client relationships



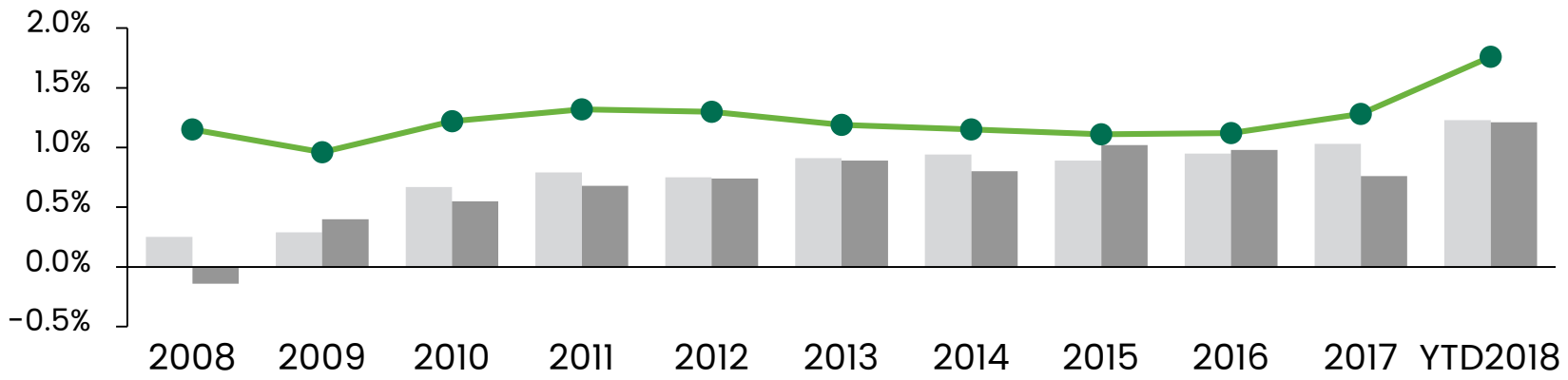
Commerce Bancshares, Inc.

Information as of December 31, 2017

COMMERCE BANK MAINTAINS SOLID PERFORMANCE OVER TIME

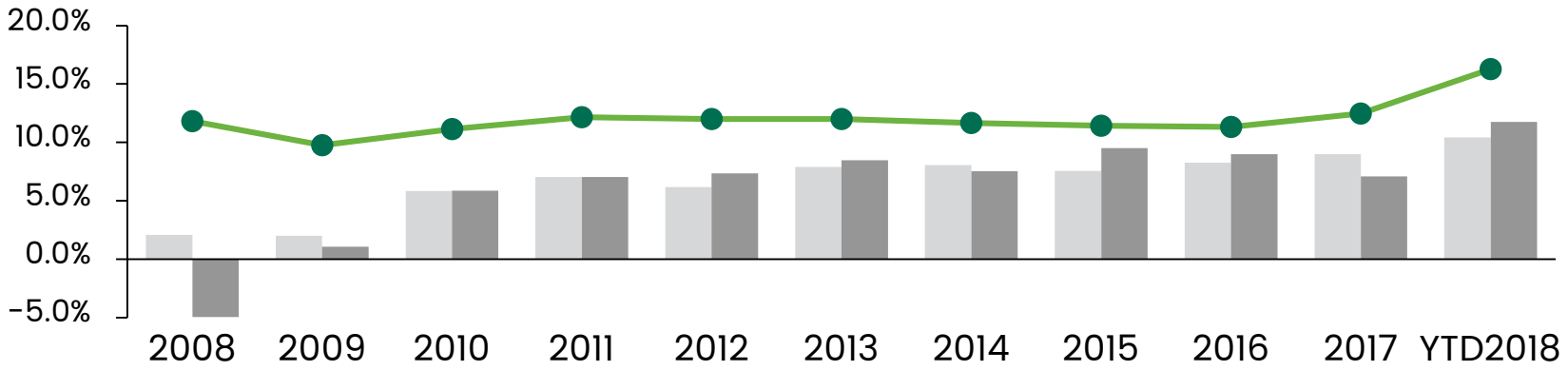
Commerce Bank Peer Banks Large Banks

Return on Average Assets



ROAA 10-yr average
CBSH: 1.18%
Peers: 0.75%

Return on Average Common Equity



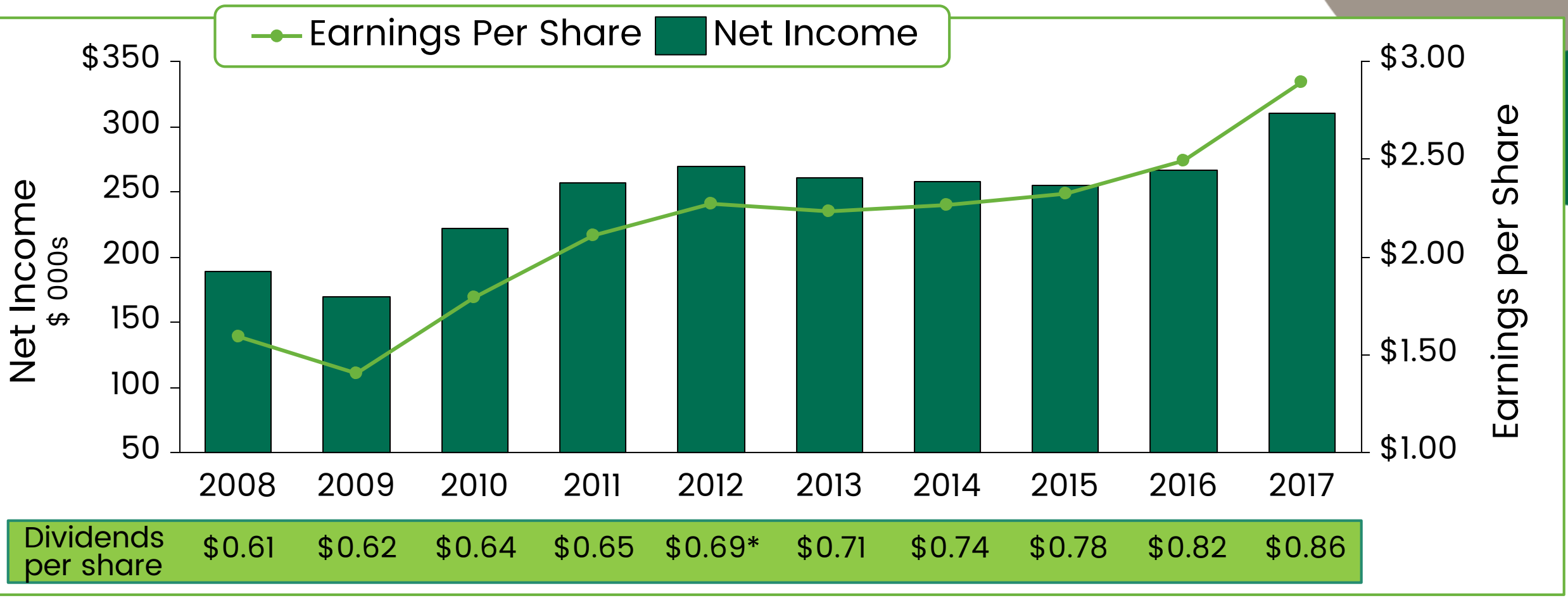
ROACE 10-yr average
CBSH: 11.57%
Peers: 6.38%

Peer Banks include ASB, BKU, CFR, FHN, FINN, FULT, HBHC, IBKC, ISBC, MBFI, OZRK, PB, PNFP, TCF, UMBF, UMPQ, VLY, WBS, WTFC; Large Banks include: JPM, BAC, C, WFC USB, PNC, FITH, RF

Source: S&P Global Market Intelligence; data as of 09/30/2018; CBI numbers via internal reporting

Commerce Bancshares, Inc.

LONG TERM VIEW: NET INCOME AND EARNINGS PER SHARE



EPS REMAINS STRONG

2018 MARKS THE 50TH CONSECUTIVE YEAR OF DIVIDEND GROWTH

*Including 2012 special dividend = $1.806
All data has been restated for 5% stock dividend distributed in December 2017
Net Income in the chart represents Net Income Available to Common Shareholders
Source: Corporate Finance

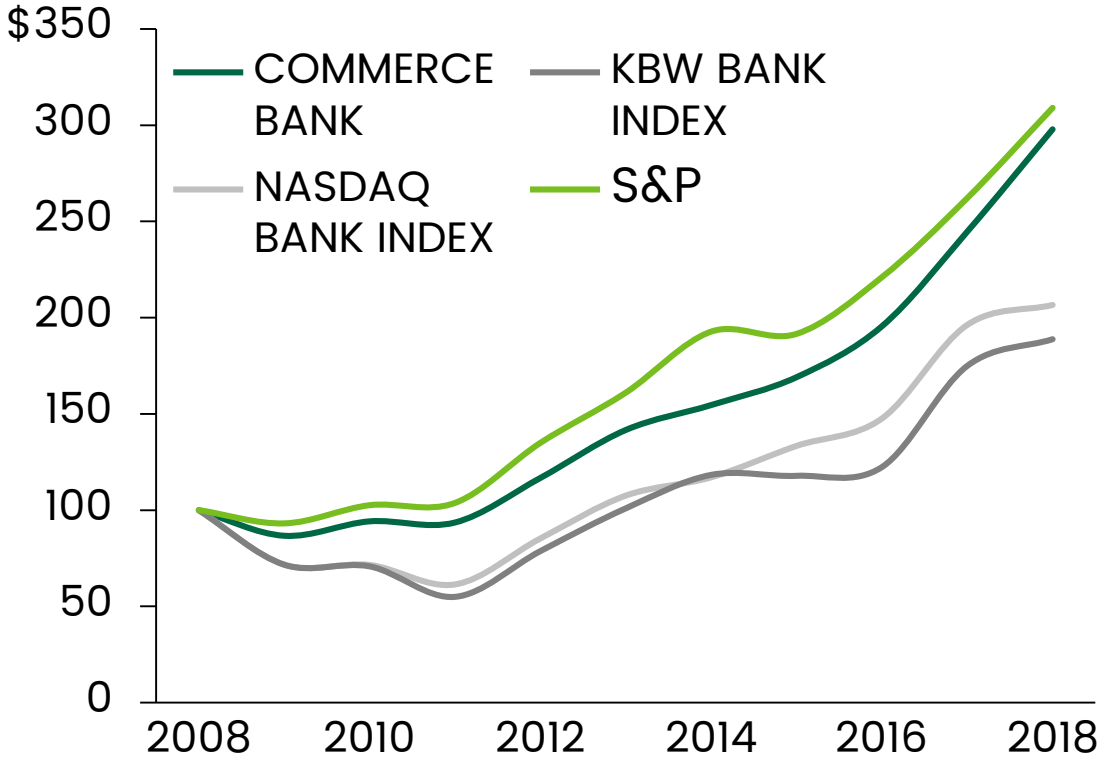
Commerce Bancshares, Inc.

STEADY SHAREHOLDER RETURNS

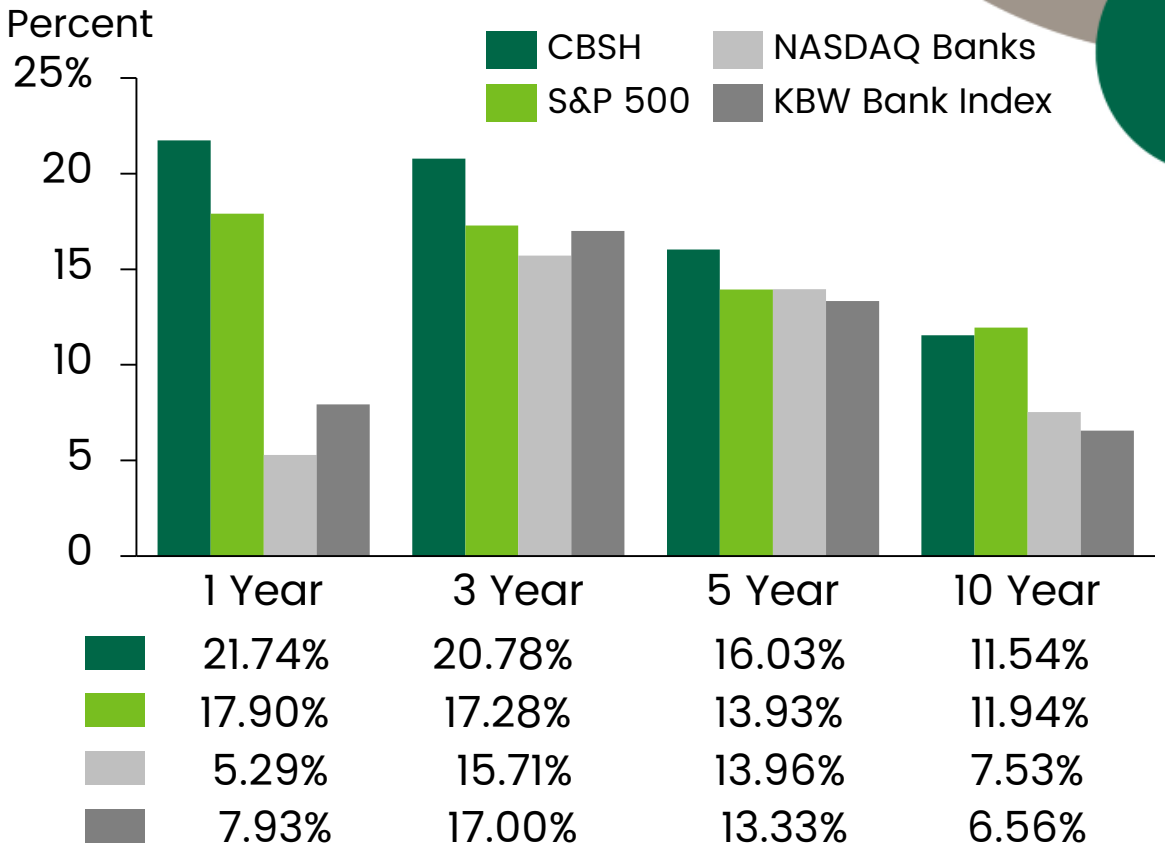
as of September 30, 2018

Total Shareholder Returns

Indexed, 09/30/2008 = $100



Annualized Comparison Total Shareholder Returns



	1 Year	3 Year	5 Year	10 Year
CBSH	21.74%	20.78%	16.03%	11.54%
S&P 500	17.90%	17.28%	13.93%	11.94%
NASDAQ Banks	5.29%	15.71%	13.96%	7.53%
KBW Bank Index	7.93%	17.00%	13.33%	6.56%

Consistent, positive returns to shareholders
Significant outperformance relative to banks over the long term

Source: Bloomberg; data as of 9/30/2018

innovating for the future

Commerce Bancshares, Inc.